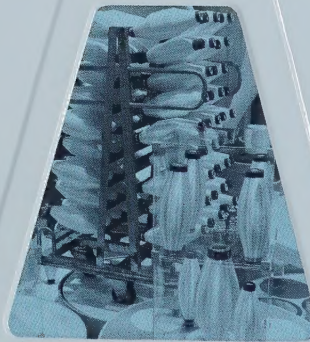


**DU PONT OF CANADA LIMITED**  
ANNUAL REPORT 1974



AR51





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Nous serons heureux de vous envoyer, sur demande, l'édition française de ce rapport.

## HIGHLIGHTS

	1974	1973	% Increase
<b>SALES</b> (Dollars in Thousands) Early strength eases in final quarter	\$368,425	\$306,361	20
<b>NET INCOME</b> (Dollars in Thousands) Includes extraordinary income of \$994 in 1974	\$ 21,491	\$ 17,816	21
<b>SELLING PRICE INDEX</b> (1965=100)	102	81	26
<b>CONSTRUCTION EXPENDITURES</b> (Dollars in Thousands)	\$ 53,177	\$ 42,948	24
<b>EARNINGS A COMMON SHARE</b> By Quarter    First            \$0.65            \$0.42 Second        0.95            0.66 Third         0.84            0.36 Fourth       0.26            0.80 Total for the Year        \$2.70            \$2.24            21			
<b>DIVIDENDS DECLARED A COMMON SHARE</b>	\$1.00	\$0.95	5

## DIRECTORS

**Robert G. Beck**  
Company Director and  
former President  
Du Pont of Canada Limited  
Elected April 21, 1949

**Edgar H. Bleckwell**  
Company Director and  
former President  
Du Pont of Canada Limited  
Elected December 16, 1966

**Ralph B. Cole**  
Vice-President and Treasurer  
E. I. du Pont de Nemours and Company  
Elected October 23, 1970

**Joseph A. Dallas**  
Senior Vice-President and Director  
E. I. du Pont de Nemours and Company  
Elected June 25, 1971

**A. Jean de Grandpré, Q.C.**  
President  
Bell Canada  
Elected April 17, 1970

**Henry J. Hemens, Q.C.**  
Vice-President and Secretary  
Du Pont of Canada Limited  
Elected February 26, 1971

**David S. Holbrook**  
Chairman and President  
The Algoma Steel Corporation  
Limited  
Elected December 16, 1966

**D. Carlton Jones**  
President  
Hudson's Bay Oil and Gas Company  
Limited  
Elected December 14, 1973

**Herbert H. Lank**  
Company Director and former  
Chairman and President  
Du Pont of Canada Limited  
Elected April 21, 1949

**Robert J. Richardson**  
President and Chief Executive Officer  
Du Pont of Canada Limited  
Elected June 25, 1971

**Benjamin F. Schlimme**  
Vice-President and General Manager  
International Department  
E. I. du Pont de Nemours and Company  
Elected August 25, 1967

**Roy L. Schuyler**  
Vice-President and General Manager  
Organic Chemicals Department  
E. I. du Pont de Nemours and Company  
Elected April 17, 1970

## OFFICERS

**Robert J. Richardson**  
President and Chief Executive Officer

**Franklin S. McCarthy**  
Senior Vice-President

**Henry J. Hemens, Q.C.**  
Vice-President and Secretary

**J. Edward Newall**  
Vice-President, Corporate Development

**Kenneth M. Place**  
Vice-President and Treasurer

**Ian D. Ritchie**  
Vice-President, Marketing

**Bertalan L. Turvolgyi**  
Vice-President, Operations

**Colin C. Young**  
Vice-President  
Employee and Public Relations

**Donald A. S. Ivison**  
Assistant Treasurer

**Thomas S. Morse**  
Assistant Treasurer

**Kenneth H. Scott**  
Assistant Treasurer

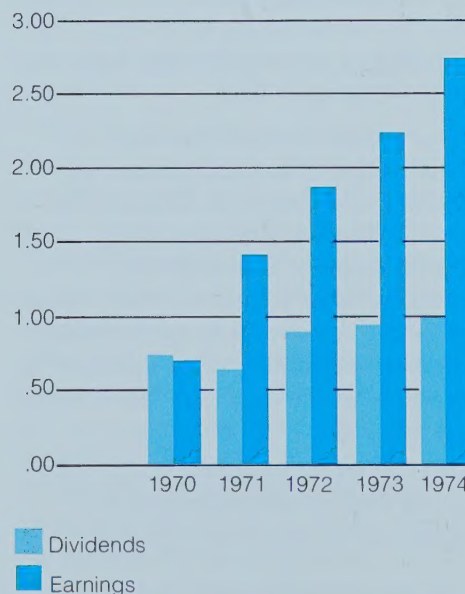
## REPORT OF THE DIRECTORS

### SALES AND EARNINGS IMPROVE

In 1974, the Company experienced significant growth in sales and earnings despite many changes in the economic environment. Critical shortages of raw materials, which developed in 1973, continued through most of the year and prices for purchased materials rose sharply. Overall economic activity began to decline at mid-year and had a severe effect on several of our businesses in the last quarter.

Net income including extraordinary items was \$21,491,000, equivalent to \$2.70 a common share. Net income from operations was \$2.57 a common share, exceeding the previous year's record of \$2.24. Higher resale volume, together with generally higher selling prices for both manufactured and resale products, offset the effect of higher raw material prices, rising wage and salary costs, and increased interest expense.

### EARNINGS & DIVIDENDS A COMMON SHARE (\$ a share)

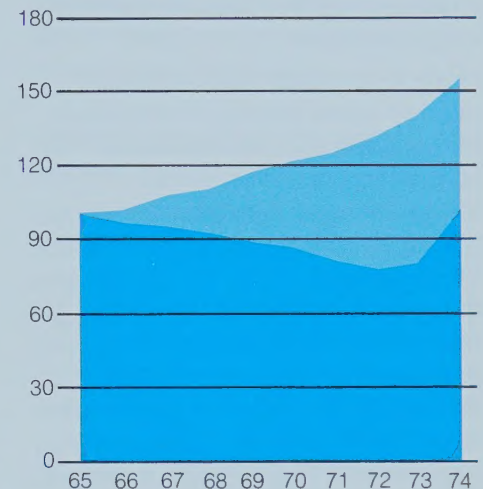


While sales volume of manufactured products grew early in the year, it declined later and in total was slightly less than in 1973. The two major reasons were a slowdown in sales to apparel markets and continuing restrictions in the supply of ethylene which limited our ability to meet the demand for plastic resins and related products.

Net sales were \$368,425,000, up 20 per cent from 1973 with most of the improvement attributable to higher average selling prices. The selling price index for products manufactured by the Company increased 26 per cent over 1973, an increase well below the 39 per cent increase in the index of prices for the industrial chemical industry as a whole.

### SELLING PRICE INDEX

1965 = 100%



Consumer Prices  
Du Pont of Canada Manufactured Products

Prices for major raw materials and fuels purchased by the Company rose 56 per cent during the year.

The volume of imported resale products increased during the year as raw material supply limitations adversely affected our ability to produce manufactured products. In many product lines, sales were strong at the beginning of the year but began to ease by mid-year, as domestic and worldwide demand dropped and the Company faced increased competition from distressed-priced imports, particularly for fibres products.

Dividends of 25 cents per share on the common stock were declared for each quarter.

## INFLATION

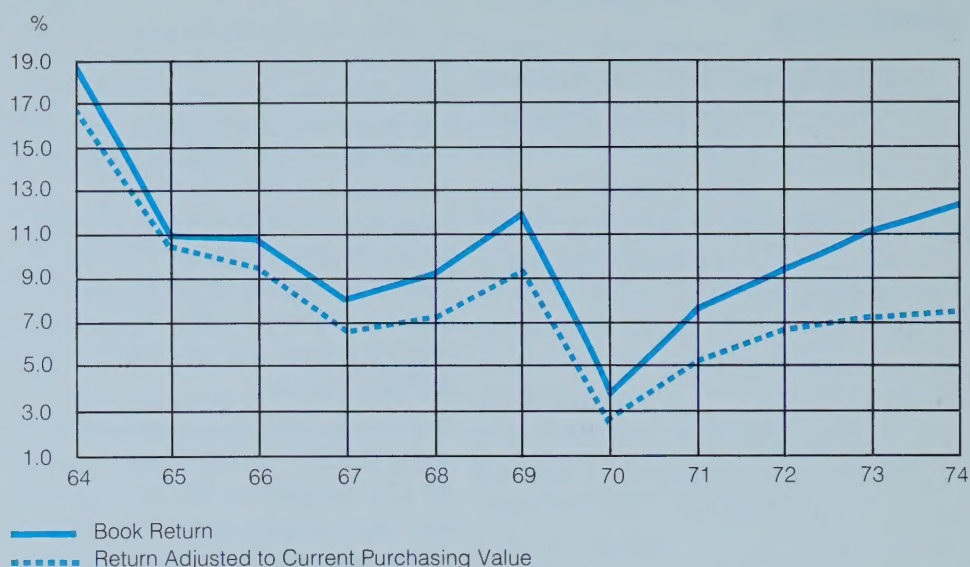
While the Company is affected by all aspects of inflation, one major area of concern is that of reflecting these conditions in financial statements. The business world, professional accountants and governments all agree that the historical values on which financial statements are based become misleading when the real value of monetary units changes rapidly.

As yet, however, there is no consensus on an acceptable method of presenting results from operations in current values.

There is no doubt that inflationary periods cause serious distortions in the reported financial results of corporate operations. These distortions arise because the historical values used to determine major elements of cost, such as depreciation of fixed plant and equipment, bear less and less relationship to the current costs of maintaining the value of shareholder investments intact through replacement and renewal. Hence, there is a tendency for profits to be overstated in real terms. Unless great care is exercised by both business and government, the risk exists that the productive capital of enterprises will be dissipated and may not be adequate to meet opportunities in the future.

Thus, there is merit in providing shareholders and others with a measurement of the effect on the Company's operations of changes in the purchasing power of money. Accordingly, we have developed an expression of shareholders' equity which has been adjusted to current purchasing value, and to it we have related reported earnings, appropriately adjusted. On this basis, return on shareholders' equity for the year 1974 was 7.7 per cent compared with 12.6 per cent based on currently accepted financial reporting practices.

## RETURN ON SHAREHOLDERS' EQUITY



This compares with rates of 17.0 per cent and 18.8 per cent, respectively, in the year 1964. While this approach is over-simplified and deals imperfectly with the problems mentioned above, it does provide some measure of earnings produced by shareholders' investments in current monetary values, and indicates the inadequacy of these current earnings.

## CAPITAL EXPENDITURES AND BORROWINGS RISE

New capital projects totalling \$107,000,000 were authorized in 1974. Expenditures of \$53,000,000 during the year represent the continuation of an expansion program which started in 1972. Major emphasis continues to be directed towards expanding plant capacity for production of man-made fibres and plastics.

The Company has always worked to protect the environment and this continues to be a major priority.

New facilities will make use of the best practical technology available and pollution control in existing operations is continually being upgraded.

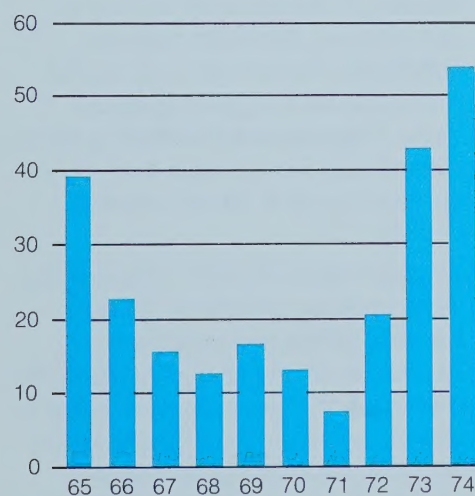
Prior to 1974, short term borrowings had provided the major external means used to finance expansion. In 1974, arrangements were completed to borrow \$30,000,000 for periods of five years. These funds were used to reduce shorter term loans and will help finance construction commitments totalling \$148,000,000 to be spent on approved projects.

In this regard, on 27th February 1975, the Board of Directors authorized the filing of a preliminary prospectus relating to a possible debenture issue by the Company in 1975.

A major concern of the Company is the speed of escalation of construction labour and material costs and the resulting increased uncertainty of the final costs of bringing these projects on stream. Current projects are being closely monitored to ensure their continued economic viability.

Total borrowings increased by \$37,500,000 to a level of \$76,000,000 by year-end and interest expense for the year amounted to \$4,658,000. The increase in borrowings during 1974 reflects in part the effect of inflation on the Company's working capital requirements. In the past, earnings retained in the business have been more than sufficient to finance growth in current assets. The excess provided a source of funds for investment in expansions of existing facilities and new business opportunities, but in the present inflationary environment, this is no longer the case. Because of the high rate of inflation in 1974, commitment of significantly larger amounts to inventories became necessary to maintain our business position. Thus, although total net earnings improved significantly over the previous year, earnings retained in the business fell short of additional current asset requirements of \$33,000,000. In turn, this increased the level of borrowings needed to help finance our expansion program.

**CONSTRUCTION EXPENDITURES**  
(millions of \$)



## STEPS TAKEN TO IMPROVE RAW MATERIAL SUPPLY

The plastics and the man-made fibre sectors of Canadian industry are forecast to grow at rates well above the average growth rate of the economy, and will also require increasing supplies of basic raw materials. An essential part of the Company's expansion program thus involves assuring adequate supplies of hydrocarbon feedstocks. This program is in line with federal and provincial policies of upgrading resources such as natural gas and crude oil into feedstocks for products manufactured in Canada.

The Company has a 20 per cent equity interest in Petrosar Limited, a company formed in 1974 to build a world scale petrochemical plant at Sarnia, Ontario for production of ethylene, benzene and other chemical feedstocks as well as fuel products. The other partners in this company are Polysar Limited and Union Carbide Canada Limited with 60 per cent and 20 per cent equity interests, respectively. Plant start-up will be phased, with fuel products estimated to be available late in 1976 and chemical feedstocks before mid-1977.

The Company has entered into various agreements with Petrosar, and Petrosar's other shareholders and bankers, involving financial obligations relating to completion of construction of the plant, deficiency agreements with respect to the debt financing of Petrosar and firm purchase contracts relating to certain of the new company's output of chemical products. Du Pont of Canada's obligations relate to its proportionate share of equity ownership and to contracted quantities of product purchases. At year-end, \$2,700,000 had been subscribed by the Company for fully paid shares of Petrosar.

The output from Petrosar will not, by itself, meet the Company's future needs for ethylene. As a result, the Company joined Alberta Gas Ethylene Company Limited (AGECL), Canadian Industries Limited and others to study the feasibility of a world scale ethylene plant and consuming operations in Alberta.

The Company announced at mid-year that preliminary engineering work and economic studies were underway to determine the economic viability of a high-density polyethylene plant in Alberta which would utilize part of the ethylene to be produced by AGECL.

## NEW DEVELOPMENTS HIGHLIGHT MINERAL VENTURE ACTIVITIES

Lacanex Mining Company Limited and Du Pont of Canada Limited have engaged in Canadian mineral exploration for several years as a direct joint venture of the two corporations. Du Pont of Canada did not exercise its option to renew this venture and it expired 31st December 1974.

The Company also carried out its exploration program for Canadian minerals through a wholly owned subsidiary, Du Pont of Canada Exploration Limited, organized in 1974. Geologists commenced mineral exploration programs in British Columbia, the Yukon, Quebec and the North West Territories.

Du Pont of Canada owns directly and indirectly, minority interests in Lacanex Mining Company Limited, Tormex Mining Developers Limited and Pure Silver Mines Limited. The shareholders of these companies approved the merger of their undertakings, properties, assets and liabilities into one corporation, to be called Lacana Mining Corporation Limited. Approval by regulatory authorities in Canada and Mexico is required and the necessary applications have been filed.

Pure Silver Mines Limited, in conjunction with Mexican partners, is developing three silver properties to the production stage. Production is scheduled to start by year-end 1975 at a central concentrating facility capable of treating 2,000 dry metric tons of ore per day. La Encantada, a Mexican lead-silver mine, in which Tormex has a 40 per cent interest, produced 39,000,000 pounds of lead and 537,000 troy ounces of silver during 1974, its first full year of operation.

## EMPLOYEES RESPOND WELL TO CHALLENGING TIMES

Changing economic, supply and operating conditions during 1974 and the activities associated with Company expansion programs placed substantial demands on the Company's people. The successful year experienced by the Company in the face of these conditions is an expressive tribute to the resourcefulness and dedication of its employees.

Company employment at year-end was 5,747, an increase of four per cent over the corresponding figure for 1973.

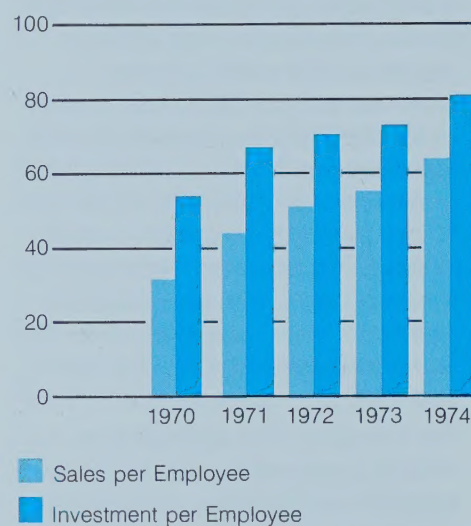
The acceptance of basic safety principles and the maintenance of safe working conditions continue to be guiding policies of the Company. In 1974, the frequency rate of on-the-job lost time injuries per million man hours worked was 0.74. While unsatisfactory compared to past performance, this rate was nevertheless significantly lower than the average experience of 4.25 for the chemical industry in North America. We deeply regret that one employee was killed during the year in an accident at our Nipissing explosives plant and that seven employees suffered lost time injuries in 1974.

The current inflationary situation requires that vigilant attention be given to ensuring that employees' remuneration is maintained in an equitable and competitive position. The situation was recognized during the year by adjustments to wages and salaries at all locations.

Significant improvements to the Company's pension plan were made during 1974. Pension benefits were increased substantially, service conditions to qualify for vested pension benefits were reduced and age and service requirements for early retirement were lowered.

## SALES & INVESTMENT PER EMPLOYEE

(thousands of dollars)



Recognizing continued inflation, pensions currently being paid to retired employees were raised. At the end of the year, \$64,567,000 was held by an independent trustee to meet future obligations under the Company-financed pension plan.

During 1974, the Company was able to attract adequate numbers of the highly skilled people required to meet its needs. However, there are indications that, over the long term, despite the growing Canadian labour force, shortages of manpower may well develop in at least three

categories of critical concern to Du Pont of Canada: in skilled construction labour; in waged roll manpower who can be trained to operate sophisticated facilities; and in graduates from university level science, engineering and business programs. As a result of this concern, manpower planning is being intensified to improve our understanding of the potential problems and to explore the alternatives which may exist.

## LONG TERM ECONOMIC FUTURE LOOKS STRONG

The Canadian economy, quite clearly, has entered into a period of slower economic growth. We expect this slower growth rate, noticeable at mid-1974, to continue through mid-1975.

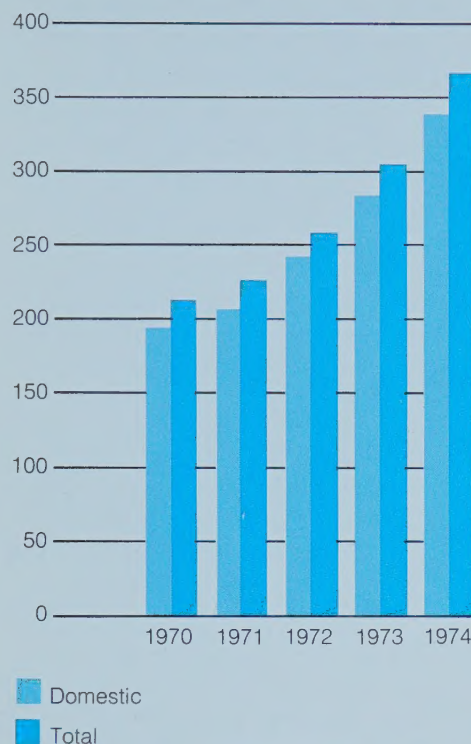
However, during the second half of 1975, we may see a pick up in the level of economic activity and the current lower rate of activity should be viewed in relation to Canada's longer term economic prospects.

There are several factors which should provide significant economic growth and development during the balance of the decade, including fast-growing domestic markets, substantial endowments of natural resources and a growing labour force. The economic problems facing Canada are less serious than those confronting most other industrial nations.

Through much of 1975, however, the most pressing problems facing Canada will be the continued escalation of wages and salaries, the likelihood of major disruptions due to strikes, and a significant upsurge in import competition at a time of generally weaker market conditions. This increasing competition from imports will affect many of our chemical, fibres and plastics product lines. As a result, Du Pont of Canada, as well as other Canadian manufacturers will find it increasingly difficult to reflect ongoing cost increases in current prices.

## SALES

(millions of \$)



We expect to see the overall rate of inflation in Canada continue at an unsatisfactorily high level despite weakening economic activity. In the federal budget of late 1974, the government opted for a policy of lessening the effects of inflation over the longer run through a program of increasing the supply of goods and services to Canadian consumers. In addition, the government moved to bolster Canadian demand through significant personal tax cuts that should help to maintain the disposable income of Canadians. The extension of the tax incentives for manufacturers will materially assist the competitive position of this important segment of the economy and help in financing enlarged capital investment programs such as those undertaken by the Company. For most companies, including ourselves, the rapid rise in construction expenditures and working capital requirements cannot be adequately met from internally generated funds. A reduction in the rate of inflation will be necessary in order to enable Canadian manufacturers to fully meet future growth requirements.

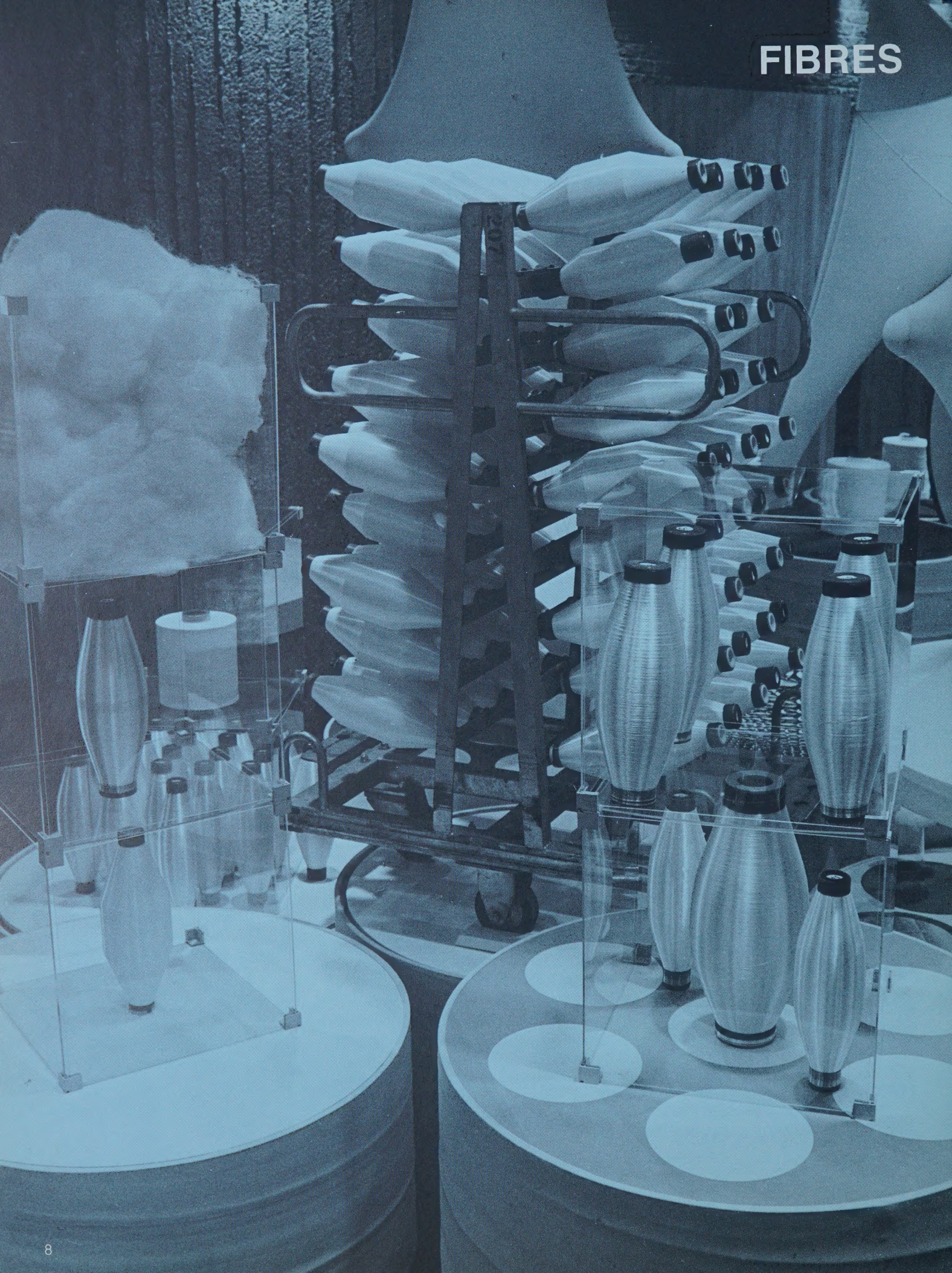
The federal-provincial jurisdictional dispute over resource revenues was not fully resolved in 1974. As a result, there is considerable indecision on the part of many resource industries in the areas of exploration, development and expansion at a time when the investment environment in Canada requires decisive action. This is of concern to the Company and other manufacturers of petrochemicals and textiles that rely heavily on the resource industries for raw material supplies.

Over the longer term, we remain convinced that Canada has a unique opportunity to establish itself as a major industrial force based primarily on the development and upgrading of natural resources through to derivative consumer products. Given the proper climate, we see Canada's petrochemical, plastics and some parts of the man-made textile industries among the fastest developing sectors of the economy. As a vital part of each of these industries, Du Pont of Canada expects to share fully in their growth and development. Last year, we noted that the Company had embarked upon the most ambitious expansion program in its history — a program limited only by the constraints of financial prudence — and that remains true today. Your Company is committed to profitable growth and to maintaining Du Pont of Canada's position in the forefront of Canadian industry.

On behalf of the Directors,

President and Chief Executive Officer

5th March 1975



The unprecedented demand for all our fibres continued through the first half of 1974. This demand was further strengthened as foreign producers selling in the Canadian market withdrew to meet increased demand in their home markets. However, shortages of raw materials, evident in 1973, continued and caused restrictions in our production, forcing continued allocation of fibre to customers. The cost of raw materials continued to rise but was partially offset by increased selling prices.

The situation changed dramatically in the second half of the year as worldwide demand slackened and all users of fibres reduced inventories. Foreign suppliers reappeared with lower prices, forcing us to reduce

prices on some fibre products. The Company, in cooperation with other companies and labour representatives in the Canadian textile industry, urged the government to take immediate corrective action. We are encouraged by the fast government response to certain of the problems and further effective results are anticipated in other areas.

The carpet market continued to show good overall growth and nylon remained the fastest growing fibre in this market. Our participation in this growth was somewhat restricted, however, by raw material shortages. This market offers an outstanding opportunity for the Company and we have undertaken a substantial program to capitalize on this opportunity. An 18,000,000 pound a year expansion of nylon staple capacity at Kingston, Ontario came into production in the second quarter of 1974. A 14,000,000 pound bulked continuous filament nylon yarn (BCF) expansion, also at Kingston, is expected to be completed in the first half of 1975.

Another area which offers a good growth potential is polyester filament yarn for the apparel industry. With the previously announced plant for the production of DACRON polyester fibre at Coteau-du-Lac, Quebec, the Company is taking a major step toward full participation in this rapidly growing market. This facility is expected to be in production in 1976. Demand for nylon in the tire and industrial markets was very strong all year and exceeded our ability to supply. New facilities for production of basic nylon chemicals are nearing completion at Maitland, Ontario and work is continuing to further increase capacity later in 1975.

*Du Pont of Canada's man-made fibres are used by Canadian manufacturers to produce a wide variety of products including carpets, clothing and tires.*

TRADE MARK IDENTIFICATION

- †Trade Mark of E. I. du Pont de Nemours and Company under which Du Pont of Canada Limited is a Registered User.
- \*Trade Mark of E. I. du Pont de Nemours and Company.
- Trade Mark of Du Pont of Canada Limited.

FIBRES

MANUFACTURED:

- Nylon continuous filament yarns, staple, tow and bulked continuous filament yarns
- †ANTRON nylon for textiles and carpets
- †ORLON acrylic fibre, staple and tow
- †LYCRA spandex fibre
- †DACRON polyester filament yarn
- Hexamethylene diamine, adipic acid, and nylon polymer

RESALE:

- \*NOMEX high temperature resistant nylon
- \*TYPAR spunbonded polypropylene carpet backing
- \*TEFLON fluorocarbon fibre
- \*DACRON polyester staple
- \*KEVLAR aramid fibre

PLASTICS  
AND FILMS



Sales of plastics and film products increased 25 per cent over 1973, even though raw material shortages continued throughout the year, limiting our production of SCLAIR polyethylene resins to about 75 per cent of capacity. Allocation of products among customers, including our own resin-consuming operations, continued and increased costs forced prices upward.

An expansion at the St. Clair River Works in Corunna, Ontario, will increase production capacity of SCLAIR resins from 205 to 450 million pounds per year. Completion of these expanded facilities is expected to coincide with the availability of

ethylene feedstock from the Petrosar Limited plant now under construction.

Canadian, U.S. and other world markets continued to show a preference for DARTEK nylon film and even with raw material shortages, sales volume increased 20 per cent. SCLAIRFILM polyolefin film gained increased acceptance in the quality packaging market, but total sales were down 18 per cent because of resin shortages. Sales of CELLOPHANE cellulose film were about the same as last year.

Use of FABRENE woven polyolefin material for industrial packaging and in construction represents major and growing markets for the Company. Also, due to its unique advantages, new markets are continually being developed. In 1974, sales volume was up 32 per cent. An expansion to nearly double capacity was

completed at North Bay and further expansion is currently underway.

Strong demand for SCLAIRPIPE polyethylene pipe continued for mining applications, sewers and water transmission lines but lower volumes of available polyethylene resin restricted growth in 1974. Sales of ALDYL "A" small diameter pipe to urban gas distribution utilities showed modest growth. Currently, we have the major share of the plastic pipe penetration in this market. Availability of imported ALDYL "A" from E. I. du Pont de Nemours and Company permitted participation in the large rural gasification program in Alberta.

*Flexible pouches made of SCLAIRFILM, introduced in Canada by Du Pont of Canada Limited for milk and other liquid products, provide Canadian consumers with reliable, economic packaging.*

*The plastic pitcher is made from Du Pont of Canada's SCLAIR high density polyethylene resin.*

## PLASTICS AND FILMS

### MANUFACTURED:

- CELLOPHANE cellulose film
- SCLAIRFILM polyolefin film
- DARTEK nylon film
- FABRENE woven oriented polyolefin material
- PERFIL fibrillated polyolefin tape
- †VEXAR plastic netting
- Nylon monofilament
- SCLAIR polyethylene resins
- †ZYTEL nylon resins
- SCLAIRPIPE polyethylene pipe
- †ALDYL "A" polyethylene piping systems

### RESALE:

- \*MYLAR polyester film
- \*KAPTON polyimide film
- \*CLYSAR EH and EHC polyolefin shrink film
- Liquid packaging machines
- Plastic materials for molding and extrusion including:
  - †ALATHON polyolefin resins
  - \*DELRIN acetal resins
  - \*LUCITE acrylic resins
  - \*MINLON mineral reinforced polymers

\*SURLYN ionomer resins

\*TEFLON fluorocarbon resins

Polymers for adhesives and coatings including:

\*ELVACE polymer emulsions

\*ELVANOL polyvinyl alcohol

\*ELVAX vinyl resins

Nitrocellulose

†DYMETROL nylon strapping

†STREN nylon fishing line

\*BUTACITE polyvinyl butyral sheet for safety glass

CHEMICALS



Demand for most of our industrial chemical products continued strong during 1974. Many raw materials were in short supply and their high costs and our sharply rising manufacturing costs led to selling price increases. Expanded facilities for the manufacture of FREON fluorocarbons for use in refrigerant and aerosol propellant applications were completed at Maitland Works. Sales volume of FREON fluorocarbons was significantly larger than last year.

Late in 1974, some concern developed that continued use of fluorocarbon aerosol propellants could diminish the ozone shield in the upper atmosphere. However, this possibility is entirely theoretical and unsupported by any actual data. The Company, together with other worldwide producers, will continue to fund research which, two years ago, began seeking facts on composition of the atmosphere and the effect of fluorocarbons on it.

The market for petroleum chemicals declined slightly reflecting reduced sales of finished gasoline by Canadian oil companies to the United States.

Sales volume of automotive finish and refinish products increased by eight per cent. By year-end the general weakness in the automotive industry was reflected in somewhat slower sales.

*A miner loads cartridged water gel explosives into a pneumatic loader, a process made possible by the Company's introduction of TOVEX SD.*

In 1974, sales volume of explosives products increased by 32 per cent with gains in both the bulk and packaged segments of the business reflecting the strength in the mining industry generally.

For several years, the Company has been developing a packaged small diameter water gel explosive in order to reduce the safety and health hazards associated with the handling of dynamite, a nitroglycerine based product and the principal explosive used for some one hundred years. The program became commercial in 1974 with the start up of new manufacturing facilities at North Bay early in the year. Our product, known as TOVEX SD, has been well received and volumes sold in 1974 are close to those for dynamite in the previous year. Capacity at the new plant is expected to be adequate to meet the expected sales growth in packaged explosives and it was decided to terminate construction of a similar facility which had been underway at Ashcroft, British Columbia. The Company has withdrawn from the manufacture of nitroglycerine-based explosives resulting in a write-off of approximately \$4,100,000 which was charged to the reserve for depreciation in 1974.

Sales of products manufactured by E. I. du Pont de Nemours and Company and marketed by Du Pont of Canada increased more than 20 per cent.

New sales records were set in photo products, elastomers, pigments and commercial chemicals. The year was marked by many price increases because of increased costs and by supply problems with several products.

## EXPORT

Capacity limitations on many products affected the volume of shipments during 1974 but with higher average selling prices, revenue increased slightly over 1973.

Restrictions on supply of DARTEK nylon film and SCLAIRFILM polyolefin film prevented continued market development for these products.

Sales of LYCRA spandex fibre, primarily to Australia and New Zealand, showed a steadily increasing trend during the first three quarters but fell sharply in the final quarter. As a result, volume and revenue decreased slightly for the year as a whole.

Shipments of FREON fluorocarbons to the United States more than offset a slight decline in sales to the United Kingdom and sales revenue was double that of 1973.

SCLAIR polyethylene resins were on allocation and export sales were severely restricted. However, higher selling prices partially offset the loss in volume.

The high demand for cellulose film in world markets abated in the final quarter, but prices, which had risen steadily during the year to offset increased costs, remained firm.

## CHEMICALS AND OTHER PRODUCTS

### MANUFACTURED:

†FREON fluorocarbon refrigerants, aerosol propellants, industrial solvents and blowing agents

†VALCLEN dry-cleaning fluid  
Anti-knock compounds and other petroleum additives

†ALBONE hydrogen peroxide  
Protective and decorative finishes for automotive and industrial uses including:

- DULUX enamels

- †LUCITE acrylic lacquer

- †TEFLON non-stick finishes

Commercial explosives including dynamites, water-gels, blasting agents, and primers  
Hydrochloric and nitric acids

### RESALE:

Ammonium nitrate pills and blasting accessories.

X-ray, graphic arts, engineering reproduction and drafting films, and equipment

\*CYREL, \*DYCRIL and \*LYDEL photopolymer printing plates and equipment  
\*CHROMALIN photopolymer film, toners and equipment  
Electronic products—\*RISTON photopolymer film resists and equipment,

precious metal preparations, and Berg interconnectors

Neoprene, \*NORDEL, \*HYPALON, \*ADIPRENE and \*VITON synthetic rubbers

Weed killers, plant fungicides, insecticides, and nitrogen fertilizer ingredients

Pigments

Dyes and organic chemicals

\*ZEPEL rain and stain repeller

\*REEMAY spunbonded polyester and \*TYVEK spunbonded olefin

Industrial chemicals and electroplating products

\*IMRON urethane finishes

Powder coatings

DU PONT OF CANADA LIMITED  
AND SUBSIDIARIES

**CONSOLIDATED STATEMENT  
OF INCOME**

(Dollars in thousands except a common share)

	Year Ended 31st December	
	1974	1973
NET SALES (Note 1)	\$368,425	\$306,361
Other income	600	1,593
	<u>369,025</u>	<u>307,954</u>
LESS:		
Costs and expenses before the following:	270,681	220,910
Provision for depreciation of plants and properties	16,551	15,766
Amortization of patents and processes	233	183
Adjustment to carrying value of mining ventures	942	817
Selling, general and administrative expenses	41,000	38,003
Interest on borrowed money:		
Current obligations	3,242	1,452
Loans maturing more than one year after issue	1,416	708
	<u>334,065</u>	<u>277,839</u>
EARNINGS BEFORE INCOME TAXES	34,960	30,115
Less: Income taxes	14,463	12,299
NET INCOME BEFORE EXTRAORDINARY ITEMS	20,497	17,816
Extraordinary Items (Note 3)	994	—
NET INCOME	<u>\$ 21,491</u>	<u>\$ 17,816</u>
EARNINGS A COMMON SHARE		
before extraordinary items	<u>\$2.57</u>	<u>\$2.24</u>
total	<u>\$2.70</u>	<u>\$2.24</u>

**CONSOLIDATED STATEMENT OF  
RETAINED EARNINGS**

(Dollars in thousands)

	1974	1973
BALANCE AT BEGINNING OF YEAR	\$119,808	\$109,659
Add: Net income	21,491	17,816
	<u>141,299</u>	<u>127,475</u>
Less: Dividends declared on —		
Preferred 7 1/2% cumulative stock	174	174
Common stock (\$1.00 a share in 1974 and \$0.95 a share in 1973)	7,886	7,493
	<u>8,060</u>	<u>7,667</u>
BALANCE AT END OF YEAR	<u>\$133,239</u>	<u>\$119,808</u>

DU PONT OF CANADA LIMITED  
AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF  
CHANGES IN FINANCIAL POSITION**

(Dollars in thousands)

	Year Ended 31st December	
	1974	1973
<b>SOURCE OF FUNDS</b>		
From operations		
Net income before extraordinary items	\$ 20,497	\$ 17,816
Add items not requiring outlay of funds:		
Depreciation and amortization	16,784	15,949
Adjustment to carrying value of mining ventures	942	817
Deferred income taxes	11,697	6,658
	<u>49,920</u>	<u>41,240</u>
Sale of land	3,100	—
Notes payable beyond one year	19,517	—
	<u>72,537</u>	<u>41,240</u>
<b>USE OF FUNDS</b>		
Additions to plants and properties	53,177	42,948
Dividends	8,060	7,667
Investments and advances	3,395	1,801
Other	(611)	(170)
	<u>64,021</u>	<u>52,246</u>
Increase (decrease) in working capital for the year	8,516	(11,006)
Working capital at beginning of year	<u>39,413</u>	<u>50,419</u>
Working capital at end of year	<u>\$ 47,929</u>	<u>\$ 39,413</u>

DU PONT OF CANADA LIMITED  
AND SUBSIDIARIES

**CONSOLIDATED  
BALANCE SHEET**

(Dollars in thousands)

	31st December	
	1974	1973
<b>ASSETS</b>		
Current Assets		
Cash	\$ 5,465	\$ 11,590
Accounts receivable:		
Affiliated companies	1,323	2,656
Other	50,962	41,131
Inventories:		
Finished goods and work in process	44,640	23,412
Raw materials and supplies	21,115	11,123
Prepaid expenses	1,332	1,856
	<u>124,837</u>	<u>91,768</u>
Plants and Properties (Note 4)	375,610	333,293
Less: Accumulated depreciation	<u>191,758</u>	<u>183,511</u>
	<u>183,852</u>	<u>149,782</u>
Other Assets		
Goodwill, patents and processes	4,558	4,791
Mining ventures (Note 5)	4,331	4,204
Petrosar Limited (Note 6)	2,700	—
Shares held by trustee	—	611
Other investments	1,255	1,629
	<u>12,844</u>	<u>11,235</u>
	<u>\$321,533</u>	<u>\$252,785</u>

Signed on behalf of the Board:

D. S. Holbrook    }  
R. J. Richardson } Directors

	31st December	
	1974	1973
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank indebtedness	\$ 36,564	\$ 28,500
Accounts payable and accrued liabilities:		
E.I. du Pont de Nemours and Company	4,721	5,728
Other	21,662	13,521
Taxes payable	1,946	2,591
Dividends payable	2,015	2,015
Notes payable (Note 7)	10,000	—
	<u>76,908</u>	<u>52,355</u>
Notes payable beyond one year (Note 7)	<u>29,517</u>	<u>10,000</u>
Deferred Income Taxes	<u>39,513</u>	<u>28,266</u>
<b>Shareholders' Equity</b>		
Capital stock		
Preferred 7 1/2% cumulative stock, par value \$50		
Authorized, issued and fully paid — 46,500 shares	2,325	2,325
Common stock, no par value		
Authorized — 13,500,000 shares		
Issued and fully paid — 7,886,298 shares	40,031	40,031
Retained earnings	<u>133,239</u>	<u>119,808</u>
	<u>175,595</u>	<u>162,164</u>
	<u>\$321,533</u>	<u>\$252,785</u>

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **BASIS OF CONSOLIDATION**

Du Pont of Canada Limited was incorporated under the laws of Canada and the consolidated financial statements have been drawn up in conformity with the provisions of the Canada Corporations Act. Subsidiary companies are all wholly owned and only Cedarcrest Company Limited and Du Pont of Canada Exploration Limited are active. The accounts of all subsidiary companies are included in these financial statements on the basis of twelve-month periods ended 31st December, although the fiscal year of Cedarcrest Company Limited ends 30th November. Investments in mining ventures are carried on the equity basis adjusted for amortization of exploration expenditures deferred in the accounts of the companies concerned. Other investments are carried at cost.

### **TRANSLATION OF FOREIGN CURRENCIES**

Net current assets in foreign currencies are translated into Canadian dollars at rates in effect at the end of each year. Other assets and liabilities and income and expense items are translated at the rates prevailing on transaction dates.

### **INVENTORIES**

Inventories are valued at the lower of average cost and net realizable value.

### **PLANTS AND PROPERTIES AND RELATED DEPRECIATION**

Plants and properties are carried at cost. Depreciation is provided generally over the useful life of the assets. Using the diminishing balance method, rates of 12% or 10% are applied to the net investment at each plant site, provided that amounts set aside in the accounts are not less than 5% of the original cost. Thus the provision for depreciation is higher in the early life of the assets when the risk is greatest. The relatively small investments in other properties are depreciated at various rates. Depreciation is not charged on new assets until they become operative. When assets are retired, sold or otherwise disposed of, the gross book value and dismantling costs are charged to accumulated depreciation; any recovery is credited to accumulated depreciation.

### **GOODWILL, PATENTS AND PROCESSES**

Goodwill was acquired prior to 1974 and is not amortized. Purchased patents and processes are stated at cost and amortized over their economic life.

### **INCOME TAXES**

Income taxes are based on reported income which differs in some respects from taxable income. Differences generally arise because items of income and expense, such as depreciation, are reflected in different time periods for financial reporting purposes than for tax purposes. Deferred income taxes represent the amount by which taxes on reported income exceed taxes paid or payable on taxable income.

### **RESEARCH AND DEVELOPMENT**

Research and development expenditures are charged against current year's income.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1 — NET SALES

The composition of net sales is as follows:

	1974	1973
	(Dollars in thousands)	
Fibres	\$137,138	\$125,917
Plastics and Films	107,350	86,094
Chemicals and other	123,937	94,350
	<u>\$368,425</u>	<u>\$306,361</u>

## NOTE 2 — REMUNERATION OF DIRECTORS AND OFFICERS

During 1974, the remuneration paid to the twelve directors aggregated \$59,000 and paid to the eleven officers aggregated \$945,000. Two of these officers were also directors.

## NOTE 3 — EXTRAORDINARY ITEMS

Extraordinary items comprise the following:

	(Dollars in thousands)
Gain on sale of land	\$ 1,543
Loss associated with the decision not to complete construction of an explosives plant in British Columbia, net of deferred income tax credits of \$450,000	(549)
	<u>\$ 994</u>

## NOTE 4 — PLANTS AND PROPERTIES

	1974	1973
	(Dollars in thousands)	
Buildings and equipment and other facilities	\$323,323	\$291,543
Construction in progress	47,742	36,180
Land	4,545	5,570
	<u>\$375,610</u>	<u>\$333,293</u>

At 31st December 1974, there remained \$148,280,000 to be expended on authorized appropriations for capital expenditures.

## NOTE 5 — MINING VENTURES

	1974	1973
	(Dollars in thousands)	
Investments in and advances to mining companies	\$ 5,631	\$ 5,631
Expenditures of other mining ventures	1,377	308
	<u>7,008</u>	<u>5,939</u>
Accumulated amortization of deferred exploration expenditures	2,677	1,735
	<u>\$ 4,331</u>	<u>\$ 4,204</u>

At 31st December 1974 the Company's investment in mining companies consisted of a 44.7% equity interest in Lacanex Mining Company Limited and joint ownership with that company of Ducanex Resources Limited. Through these companies, the Company had indirect equity interests in various mining companies, the more significant of which are a 24.4% interest in Tormex Mining Developers Limited and a 19.1% interest in Pure Silver Mines Limited.

Applications have been filed with the regulatory authorities to merge Lacanex Mining Company Limited, Tormex Mining Developers Limited and Pure Silver Mines Limited into one corporation, to be called Lacana Mining Corporation Limited. The Company's equity interest in the new corporation is expected to be 22% which may be increased to a controlling interest upon exercise of options. In respect of Pure Silver Mines Limited the Company has a commitment until 31st December 1978 to lend or guarantee a loan of up to \$4,000,000. This commitment will apply to Lacana Mining Corporation Limited upon amalgamation, in the reduced amount of \$3,190,000.

Expenditures of other mining ventures consisted of exploration expenditures incurred by Du Pont of Canada Exploration Limited and by a joint venture.

## NOTE 6 — PETROSAR LIMITED

The Company has a 20% equity interest in Petrosar Limited, incorporated in 1974 for the purpose of building a world scale ethylene plant at Sarnia, Ontario. The other shareholders are Polysar Limited and Union Carbide Canada Limited with 60% and 20% equity interests, respectively.

Under various agreements the three shareholders are committed to invest \$69,000,000 in equity capital and subordinated debt, and to share proportionately in any cash deficiency. A group of Canadian banks has agreed to advance \$265,000,000 for construction and \$35,000,000 for working capital. The shareholders of Petrosar Limited are committed to purchase the major portion of that company's petrochemical production or otherwise indemnify the company.

The Company's interest and obligations in Petrosar Limited are as follows:

	(Dollars in thousands)
Investment	
— common shares	\$ 2,700
Commitments	
— additional common shares	7,300
— subordinated debt	3,800
— provide directly or indirectly a maximum of 22% of any deficiency of funds required by Petrosar to complete its plant construction and to meet its debt obligations.	
— firm long-term contracts for the purchase of ethylene and other chemicals.	

## NOTE 7 — NOTES PAYABLE

Notes payable at 31st December 1974 consist of the following:

	(Dollars in thousands)
Current	
— 7% notes - Can. \$5,000,000 and U.S. \$5,000,000 due in December 1975	\$ 10,000
Beyond one year	
— 8% note - U.S. \$5,000,000 due 1st February 1979	\$ 4,852
— 10 <sup>3</sup> / <sub>8</sub> % notes - U.S. \$25,000,000 due 15th November 1979	24,665
	<u>\$ 29,517</u>

## NOTE 8 — PENSION LIABILITIES

The last formal actuarial evaluation of the Company's non-contributory Pension Plan which was made as at 31st December 1973 disclosed a fully funded position based on the liabilities accrued to that point of time. The improved benefits and other changes introduced to the Plan effective 1st March 1974 resulted in the assumption of a projected unfunded past service liability estimated at \$16,600,000 which is being amortized by equal annual payments over periods not exceeding 16 years as recommended by the Company's consulting actuary and as permitted by the regulations made under The Pension Benefits Act of the Province of Ontario. After reflecting the improved benefits and other changes to the Plan effective 1st March 1974 the amount held by the independent trustee to pay pensions approximated the actuarially determined value of pensions earned.

## NOTE 9 — PENDING LEGAL PROCEEDINGS

In 1974 actions were entered against the Company by

- Ontario Building Materials Limited, Pan-Brick Limited and Chem Sales Corporation (Bahamas) Limited for rescission of agreements relating to the sale by the Company of its interest in a business concerned with the manufacture and sale of an exterior wall system of interlocking panels faced with clay brick and alleged damages totalling \$9,480,000, and
- Hammermill Paper Company claiming U.S. \$750,000 to cover cost of repairs arising from the alleged failure of an installation of a large diameter outflow made of "Sclairpipe".

The Company is of the opinion that these actions are not well founded and has undertaken to defend the actions.

## NOTE 10 — SUBSEQUENT EVENT

On 27th February 1975, the Board of Directors authorized the filing of a preliminary prospectus relating to a possible debenture issue by the Company in 1975.

TOUCHE ROSS & CO.

1 PLACE VILLE MARIE  
MONTREAL, QUEBEC H3B 2A2  
(514) 861-8531

The Shareholders  
Du Pont of Canada Limited

We have examined the consolidated balance sheet of Du Pont of Canada Limited and subsidiaries as at 31st December 1974 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at 31st December 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Touche Ross & Co.*  
Chartered Accountants

Montreal, Que.  
27th February 1975

## A TEN-YEAR COMPARISON

	1974	1973
<b>Operating Results</b>		
<i>Results a common share (1)</i>		
Total earnings	\$2.70	\$2.24
Cash flow from operations	\$6.31	\$5.21
Dividends	\$1.00	\$0.95
Sales and other income	369,025	307,954
Costs and expenses before the following:	311,681	258,913
Provision for depreciation, amortization and other (2)	17,726	16,766
Interest on borrowed money	4,658	2,160
Taxes on income	14,463	12,299
Extraordinary items	(994)	—
Net income	21,491	17,816
<i>Per cent return on:</i>		
Average total investment (3)	5.2	4.7
Average shareholders' equity	12.6	11.4
<b>Financial Position</b>		
Total current assets	124,837	91,768
Total current liabilities	76,908	52,355
Net working capital	47,929	39,413
Plants and properties at cost	375,610	333,293
Accumulated depreciation	191,758	183,511
Plants and properties — net	183,852	149,782
Other assets less other liabilities	(16,673)	1,235
Deferred income taxes	39,513	28,266
Shareholders' equity	175,595	162,164
<b>General</b>		
Company selling price index —manufactured products (1965 = 100)	102	81
Construction expenditures	53,177	42,948
Average total investment (4)	465,738	402,816
Shareholders' equity a common share (1)	\$21.97	\$20.27
Average number of employees	5,746	5,538
Average total investment per employee	81.1	72.7

(1) Based on 7,886,298 shares outstanding at the end of each year.

(2) Includes adjustment to the carrying value of mining ventures beginning in 1972.

(3) Based on net income before interest expense.

(4) Total investment comprises total assets exclusive of shares held by trustee, and before deducting accumulated depreciation; the average is based on the investment of each calendar month.

(Amounts in thousands of dollars except where otherwise noted)

1972	1971	1970	1969	1968	1967	1966	1965
\$1.80	\$1.41	\$0.68	\$2.05	\$1.51	\$1.30	\$1.73	\$1.57
\$4.02	\$3.29	\$2.62	\$3.88	\$3.37	\$3.72	\$4.08	\$3.30
\$0.85	\$0.625	\$0.75	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
260,737	228,333	211,398	228,532	207,923	183,185	196,705	188,620
218,384	190,810	184,682	184,999	167,270	147,645	155,341	151,812
16,385	15,673	15,357	15,636	15,335	14,562	13,529	10,922
629	1,058	2,635	1,315	1,163	1,504	1,372	511
10,992	9,530	3,213	13,044	11,602	9,049	12,665	12,837
—	—	—	(2,785)	491	—	—	—
14,347	11,262	5,511	16,323	12,062	10,425	13,798	12,538
4.1	3.4	2.0	5.2	4.0	3.8	5.3	5.4
9.6	8.0	4.0	12.0	9.4	8.3	11.3	11.4
83,294	68,583	74,114	70,770	63,587	52,779	51,991	45,483
32,875	30,921	45,386	42,651	41,981	37,190	42,542	26,322
50,419	37,662	28,728	28,119	21,606	15,589	9,449	19,161
292,891	275,532	272,313	262,347	248,956	241,922	229,800	209,820
170,291	158,000	146,389	133,936	121,148	109,465	98,428	87,492
122,600	117,532	125,924	128,411	127,808	132,457	131,372	122,328
604	9,822	5,035	3,739	3,794	2,307	2,615	(8,783)
21,608	20,471	21,301	21,305	22,506	23,653	19,100	14,108
152,015	144,545	138,386	138,964	130,702	126,700	124,336	118,598
79	81	85	89	91	94	97	100
20,360	7,504	12,867	16,216	11,967	15,790	22,565	39,650
362,321	347,829	344,881	324,723	311,469	292,633	270,820	235,204
\$18.98	\$18.03	\$17.25	\$17.33	\$16.28	\$15.77	\$15.47	\$14.74
5,113	5,158	6,311	6,562	6,303	6,491	6,696	6,213
70.9	67.4	54.6	49.5	49.4	45.1	40.4	37.9

## PLANTS

### AJAX WORKS

408 Fairall Street  
Ajax, Ontario L1S 1R6

### KINGSTON WORKS

P.O. Box 2100  
Kingston, Ontario K7L 4Z6

### MAITLAND WORKS

Maitland, Ontario K0E 1P0

### NIPISSING WORKS

P.O. Box 900  
North Bay, Ontario P1B 8K2

### ST. CLAIR RIVER WORKS

Corunna, Ontario N0N 1G0

### SHAWINIGAN WORKS

P.O. Box 870  
Shawinigan, Quebec G9N 6W6

### WHITBY WORKS

P.O. Box 1480  
Whitby, Ontario L1N 5S6

## DISTRIBUTION CENTRE

6000 Trans Canada Blvd.  
Pointe Claire, Quebec H9R 1B9  
(514) 697-8840

## STOCK LISTINGS

Common Stock —  
Montreal Stock Exchange  
Toronto Stock Exchange

Preferred Stock —  
Montreal Stock Exchange

## STOCK TRANSFER AGENT AND REGISTRAR

Montreal Trust Company  
Montreal, Toronto, Calgary and  
Vancouver

## SALES OFFICES

### AJAX, Ontario L1S 1R6

408 Fairall Street  
(416) 683-5500

### CALGARY, Alberta T2P 1C9

Royal Bank Building  
335 - 8th Avenue, S. W.  
(403) 265-9060

### FREDERICTON,

### New Brunswick E3P 2T9

108 Prospect Street West  
(506) 454-3813

### MONTREAL AREA

110 Cremazie Boulevard West  
Montreal, Quebec H2P 1B9  
(514) 381-9236

1600 - 50th Avenue  
Lachine, Quebec H8T 2V5  
(514) 636-4580

555 Dorchester Boulevard West

Montreal, Quebec H2Z 1B1  
(514) 861-3861

### SUDBURY, Ontario P3E 3M3

18 Durham Street South  
(705) 674-0754

### TORONTO AREA

789 Don Mills Road  
Don Mills, Ontario M3C 1T5  
(416) 362-5621

115 Idema Road  
Markham, Ontario L3R 1A9  
(416) 362-5621

Toronto-Dominion Bank Tower  
M5K 1B6  
(416) 362-5621

### VANCOUVER,

### British Columbia V6G 1A5

1550 Alberni Street  
(604) 684-9264

### EXPORT SALES AGENT

CEDARCREST COMPANY LIMITED  
International Centre Building  
Hamilton, Bermuda  
2-5206

*Please address inquiries to:  
The Vice-President and Secretary,  
Du Pont of Canada Limited  
P.O. Box 660  
Montreal, Quebec  
H3C 2V1*



